



Enterprise Management & Innovation (Pty) Ltd

# **SOUTH AFRICA: INCREASING EMPLOYMENT OPPORTUNITIES IN AGRICULTURE (AGRILINK II) PROJECT**

(Contract No. 674-C-00-01-00032-01)

(Project No. 674-0326-3-10004)

**ANNUAL REPORT, FY'02  
(13/8/2001 – 30/09/2002)**

**Submitted by:  
Jaime Reibel  
Chief-of-Party  
AGRILINK II Project**

**Submitted to:  
Dorvin Stockdale  
CTO/Senior Agricultural Advisor  
USAID/South Africa**



**Submission Date:  
15<sup>th</sup> October 2002**

## **EXECUTIVE SUMMARY**

### **SO5: Increased Market-Driven Employment Opportunities Created**

#### **AGRILINK II Project Performance, FY'02**

Overall, AGRILINK II Project performance results were on-target. The Project's Strategic Objective is the creation of employment opportunities in South Africa. In FY'02, the AGRILINK II Project created twenty-one thousand ninety-four (21,094) employment opportunities, 254% of the established target. These employment opportunities are derived from the value of business transactions facilitated by the Project. Twenty-seven thousand two hundred eighteen (27,218) business transactions worth R636,744,957 were completed in FY'02, meeting 165% and 101% of the targets, respectively. Thirty-four percent (34%) of those business transactions were with small and medium agribusinesses that involved women, 170% of the target. Twenty-seven thousand, one hundred thirty-eight (27,138) markets were identified by the AGRILINK II Project, or 170% of the annual target.

#### **Increased Commercial Viability of Existing Small and Medium Agribusinesses**

The AGRILINK II Project measures the increased commercial viability of agribusinesses through the creation of market linkages, the privatization of public enterprises, and an increase in access to finance. During FY'02, the AGRILINK II Project staff completed twenty-seven thousand, two hundred eighteen (27,218) business transactions. This level exceeded the FY'02 target by 65%. The value of business transactions completed was R636,744,597, representing 101% of the annual target.

#### **Percentage of Business Transactions that Involve Women in Agribusiness**

During FY'02, women were significantly involved in 34% of the total number of business transactions completed by the AGRILINK II Project, and 64% of the value of the business transactions.

#### **Markets for Small and Medium Agribusiness Growth Identified**

In FY'02, the AGRILINK II Project identified twenty-seven thousand, one hundred thirty-eight (27,138) markets for small and medium agribusinesses, of which 34%, involved women. This level represented 170% of the FY'02 target. In FY'02, markets were identified for a wide range of agricultural products, including livestock, lucerne, oranges, potatoes, white maize, sugar beans, cabbage, beetroot, sorghum, tomatoes, land and various farm implements.

**Agricultural Product Markets** In FY'02, AGRILINK II Project staff assisted farmers at four hundred two (402) livestock auctions/sales in the three (3) Provinces. Several innovative approaches were introduced, including a specialized system for transporting cattle over the red line to abattoirs, mobile livestock scales through a grantee, and the development of a new hides and skins market for emerging farmers.

The AGRILINK II Project has identified markets for many agricultural products. The largest market values identified were for lucerne, dry maize, and green mielies. Grain markets worth R50,406,850 were identified for yellow maize, white maize, green mielies, and soya beans.

In FY'02, markets worth R67,486,969 were identified for agricultural inputs. AGRILINK II Project staff facilitated transport worth R36,900,000.

The AGRILINK II Project assisted farmers to complete applications for grants and loans. In FY'02, sixty-five (65) deeds of sales, valued at R85,868,015, were signed with AGRILINK II Project assistance.

**Number of Profitable Product Lines Developed or Enhanced.** The Project assisted three hundred sixty-three (363) small and medium agribusinesses to develop or enhance profitable product lines in FY'02. The AGRILINK II Project will put additional effort into accelerating performance in this area in FY'03.

**Number of Markets Established with Large Entities.** During FY'02, three hundred ten (310) markets were identified for small and medium agribusinesses with large entities in FY'02.

**Enhanced Small and Medium Agribusiness Capacity to Respond to Markets**

The Project has facilitated business skills training in numerous areas. AGRILINK II Project staff trained over two thousand one hundred (2,100) livestock producers in marketing skills, branding and animal health in FY'02. The Agricultural Research Council (ARC), an AGRILINK II Project Linkage Catalyst Grantee, has conducted extensive training for emerging agribusinesses.

The AGRILINK II Project was responsible for the privatization of five (5) public enterprises during FY'02. The AGRILINK II Project's successful FY'02 privatizations were primarily in Government-owned land in Eastern Cape.

**Increased Small Agribusiness Access to Finance**

In FY'02, the AGRILINK II Project assisted seventy-five (75) small and medium agribusinesses to access finance worth R33,662,375. Most finance has been used to buy land from commercial white farmers or the Government, through the Government of South Africa's Land Redistribution for Agricultural Development (LRAD) facility and the Land Bank. The AGRILINK II Project has also assisted farmers to access finance for crop production and agricultural inputs through non-traditional sources, such as supplier credit.

**Financing for Land Transfers.** The AGRILINK II Project assists emerging farmers to access land through several means. First, AGRILINK II Project staff help potential farmers identify land that is suitable to their farming experience, needs and preferences. The AGRILINK II Project assists these farmers to access grants and loans from appropriate agricultural financial institutions. In FY'02, over three thousand seven hundred (3,700) emerging farmers received grants and loans to purchase land with AGRILINK II Project support.

In Eastern Cape, the AGRILINK II Project provides unique assistance to the Department of Land Affairs implementation of the LRAD facility. The AGRILINK II Project's assistance in the land transfer process was formalized in 2<sup>nd</sup> Quarter FY'02, through a Memorandum of Understanding between the AGRILINK II Project and the Eastern Cape Department of Land Affairs.

Agricultural input finance has been challenging to access during FY'02; however, during the year in Eastern Cape, farmers have been assisted to access grants worth R1,226,673 from the Eastern Cape Provincial Department of Agriculture to fence their land.

## **LINKAGE CATALYST GRANT PROGRAM**

The AGRILINK II Project Technical Proposal identified strategic South African and international partners to provide provincial, national and international linkages and programmatic delivery. These strategic partners were a) agricultural unions and associations; b) agricultural technology agencies; c) HIV/AIDS awareness and education organizations; and, d) policy reform consultants. Eleven (11) grantees were selected, and during 2<sup>nd</sup> and 3<sup>rd</sup> Quarters, FY'02, bench audits were conducted and grant agreements were drafted and signed. Most of the Linkage Catalyst Grantees are in the initial stages of program start-up, although five (5) are already reporting significant results toward the achievement of the AGRILINK II Project's Performance Indicators.

## **GENDER CONCERNS**

To measure performance, AGRILINK II Project staff determine the involvement of women in each agribusiness transaction completed. In FY'02, women were involved in 34% of the agribusinesses for which the AGRILINK II Project identified markets, and they were actively involved in 92% of the agribusinesses that accessed finance with the assistance of the AGRILINK II Project. Women represented 26% of the participants in HIV/AIDS awareness sessions held by the AGRILINK II Project staff during 3<sup>rd</sup> Quarter, FY'02. Women are also actively involved in the AGRILINK II Project Linkage Catalyst Grantee programs as members of HIV/AIDS support groups, farmer training, technology transfer programs and other activities.

## **HIV/AIDS AWARENESS, PREVENTION AND MITIGATION**

The AGRILINK II Project HIV/AIDS strategy has two (2) approaches: a) Agribusiness Linkage Officers act as agents of change in rural areas; and, b) HIV/AIDS Linkage Catalyst Grantees expand their activities to farming populations. During FY'02, AGRILINK II Project staff in the three (3) provinces handed-out forty-nine thousand eight hundred (49,800) condoms and HIV/AIDS awareness materials in meetings attended by six thousand two hundred sixteen (6,216) farmers, of whom 26% of the attendees were women. In Eastern Cape, the Vukume Support Group promoted the development of HIV/AIDS support groups. In KwaZulu-Natal, Catholic Relief Services (CRS) mentored Sinosizo Home Based Care in their activities to train home-based care workers. And in Limpopo, CHOICE Comprehensive Health Care Trust trained health workers in HIV/AIDS areas, and mentors the Vavasati awareness group. AGRILINK II Project staff and the three (3) HIV/AIDS organizations reported results that accord with the strategic framework of USAID's Strategic Objective 4.

## MONITORING AND EVALUATION

On 22<sup>nd</sup> January 2002, Mr. Reibel, Chief-of-Party, AGRILINK II Project, submitted the AGRILINK II Project's Performance Monitoring Plan (PMP), to Mr. Dorvin Stockdale, CTO, USAID/South Africa. The PMP was approved on 5<sup>th</sup> February 2002. During 2<sup>nd</sup> and 3<sup>rd</sup> Quarters, FY'02, PMP instruments (reports) were developed to document each appropriate project indicator to ensure verification. On the basis of the revised data, the AGRILINK II Project staff reviewed performance at the end of 3<sup>rd</sup> Quarter, FY'02, and developed revised strategies to reach annual targets.

## PROJECT ADMINISTRATION

**Personnel.** At the end of FY'02, the AGRILINK II Project employed a full-time staff of twenty-three (23). The AGRILINK II Project consists of Head Office and three (3) Provincial Offices: Eastern Cape, KwaZulu-Natal, and Limpopo. Two (2) staff training sessions were held in Midrand in FY'02. In addition, AGRILINK II Project staff from Head Office made repeated visits to Provincial offices to train officers in administrative and reporting systems.

**Procurement and Management Systems.** As stated in the EM&I Technical Proposal, the AGRILINK II Project received the entire EM&I \$46,954 in-kind contribution of furniture and equipment in the first month (August 2001) of operations. In 1<sup>st</sup> Quarter, FY'02, a project banking account was opened with the Midrand branch of First National Bank (FNB), and project accounting procedures were specified. The Eastern Cape Provincial Office was established in 1<sup>st</sup> Quarter, FY'02, and the Limpopo Office was opened in 2<sup>nd</sup> Quarter, FY'02. In 3<sup>rd</sup> Quarter, FY'02, the KwaZulu-Natal Office moved to its current premises in Pietermaritzberg.

**Level of Effort and Finance.** The majority of staff hours (51%) were spent in the programmatic areas of market identification and the establishment of business linkages (42.6%), and facilitation of access to finance (8.4%). The second highest level of effort was spent in project administration (34.4%), with lower levels of effort devoted to staff development and training (3.8%), and performance monitoring and evaluation (4.9%). Cumulative FY'02 expenditure was US \$ 2,077,625, representing 21.6% of the total approved Project budget.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>i</b>
<b>TABLE OF CONTENTS .....</b>	<b>ii</b>
<b>ACRONYMS and ABBREVIATIONS .....</b>	<b>iii</b>
<b>1.0 INTRODUCTION .....</b>	<b>1</b>
<b>2.0 PROGRAM IMPLEMENTATION .....</b>	<b>1</b>
2.1 AGRILINK II Project Performance, FY'02 .....	1
2.2 Increased Market-Driven Employment Opportunities Created .....	2
2.3 Increased Commercial Viability of Existing Small and Medium Agribusinesses .	2
2.4 Markets for Small and Medium- Agribusinesses Identified .....	2
2.5 Enhances Small and Medium Agribusiness Capacity to Respond to Markets .....	6
2.6 Increased Small Agribusiness Access to Finance .....	7
2.7 Reduced Policy and Regulatory Constraints to Small & Medium Agribusinesses	9
<b>3.0 LINKAGE CATALYST GRANT PROGRAM .....</b>	<b>11</b>
<b>4.0 GENDER CONCERNS .....</b>	<b>12</b>
<b>5.0 HIV/AIDS AWARENESS, PREVENTION AND MITIGATION .....</b>	<b>12</b>
<b>6.0 PERFORMANCE MONITORING AND EVALUATION .....</b>	<b>13</b>
<b>7.0 COORDINATION WITH STAKEHOLDERS IN THE AGRICULTURAL SECTOR .....</b>	<b>15</b>
<b>8.0 PROJECT ADMINISTRATION .....</b>	<b>18</b>
8.1 Personnel .....	18
8.2 Procurement .....	19
8.3 Management Systems .....	19
8.4 Staff Development .....	20
8.5 USAID Notifications, Requests, Reporting, Pending Actions .....	20
<b>9.0 CONSTRAINTS/SOLUTIONS .....</b>	<b>21</b>
<b>10.0 MODIFICATIONS IN THE 1<sup>st</sup> YEAR WORK PLAN .....</b>	<b>22</b>
<b>11.0 PROJECT ACTIVITY LEVEL OF EFFORT .....</b>	<b>23</b>
<b>12.0 FINANCE .....</b>	<b>23</b>
 <b>APPENDICES</b>	
A. FY'02 Performance Indicators .....	25
B. FY'02 Performance Indicators – Eastern Cape .....	26
C. FY'02 Performance Indicators – KwaZulu-Natal .....	27
D. FY'02 Performance Indicators – Limpopo .....	28
E. FY'02 Agricultural Product Markets by Percentage .....	29
F. FY'02 Linkage Catalyst Grantee Status, FY'02 .....	30
G. FY'02 Project Staff Organigram .....	31
H. Project Major Activities - Level of Effort Chart, FY'02 .....	32
I. Project Major Activities – Level of Effort Chart, 4 <sup>th</sup> Quarter, FY'02 .....	33
J. Project Financial Report FY'02 .....	34

## **ACRONYMS and ABBREVIATIONS**

AGRILINK	Increasing Employment Opportunities in Agriculture Project (2000-2001)
AGRILINK II	Increasing Employment Opportunities in Agriculture Project (2001-2006)
ARC	Agricultural Research Council
CCHC	Choice Comprehensive Health Care
CRS	Catholic Relief Services
CTO	Cognizant Technical Officer
DLA	Department of Land Affairs
EM&I	Enterprise Management and Innovation (Pty) Ltd
FY	Financial Year
IR	Intermediate Result Objective
KWANALU	KwaZulu-Natal Agricultural Union
KZN	KwaZulu-Natal
LOE	Level of Effort
LRAD	Land Redistribution for Agricultural Development Program
NDA	National Department of Agriculture
NERPO	National Emergent Red Meat Producers Organization
NGO	Non-Governmental Organization
NICRA	Negotiated Indirect Cost Agreement
PMP	Performance Monitoring Plan
R	Rand
RCO	Regional Contracting Officer
RCSA	Regional Center for Southern Africa
RLA	Regional Legal Advisor
S.A.	South Africa
SO5	Strategic Objective 5
TA	Technical Assistance
USAID	United States Agency for International Development
US\$	United States Dollar
VAT	Value-Added Tax
1 <sup>st</sup> QTR	First Quarter
2 <sup>nd</sup> QTR	Second Quarter
3 <sup>rd</sup> QTR	Third Quarter
4 <sup>th</sup> QTR	Fourth Quarter

## **1.0 INTRODUCTION**

This Annual Report, FY'02, details the activities performed on the USAID/South Africa-funded South Africa: Increasing Employment Opportunities in Agriculture (AGRILINK II) Project, (Contract No. 674-C-00-01-00032-01), for the period 13<sup>th</sup> August 2001 to 30<sup>th</sup> September 2002.

The Annual Report is divided into two main sections:

- Summary of Project Performance
- Summary of Project Administration

## **2.0 PROJECT IMPLEMENTATION**

### **2.1 AGRILINK II Project Performance, FY'02**

Overall, AGRILINK II Project performance results were on-target, as shown in Appendix A. Performance on the Strategic Objective and the Intermediate Results exceeded the indicator targets. The Project's Strategic Objective is the creation of employment opportunities in South Africa. In FY'02, the AGRILINK II Project created twenty-one thousand ninety-four (21,094) employment opportunities, 254% of the established target. These employment opportunities are derived from the value of business transactions facilitated by the project. Twenty-seven thousand two hundred eighteen (27,218) business transactions worth R636,744,957 were completed in FY'02, meeting 165% and 101% of the targets, respectively. Thirty-four percent (34%) of those business transactions were with small and medium agribusinesses that involved women, 170% of the target. Twenty-seven thousand, one hundred thirty-eight (27,138) markets were identified by the AGRILINK II Project, or 170% of the annual target.

In the first year of the AGRILINK II Project start-up performance has been un-even. This is a result of three factors: under-reporting, over-ambitious targets and the staggered roll-out of provincial staff and offices. The FY'03 Annual Strategic Work Plan identifies strategies to address these gaps in performance. It should be noted that there were no activities for IR5.2.4. Reduced Policy and Regulatory Constraints to Small and Medium Agribusiness Development in FY '02, as implementation will begin in FY'03.

The AGRILINK II Project reports on all indicators by province and gender. The AGRILINK II Project in Eastern Cape had the strongest performance in FY'02, as can be seen in Appendices B, C, and D. Seventy-one percent (71%) of all the business transactions were located in Eastern Cape. This performance was expected: the AGRILINK I Project was located in Eastern Cape, and therefore, previous activities could be built-upon for the AGRILINK II Project. The Eastern Cape Office continued activities in October 2001, KwaZulu Natal started activities in November 2001 and Limpopo started in March 2002.

The following sections describe AGRILINK II Project performance toward specific indicators.



## **2.2 Increased Market-Driven Employment Opportunities Created**

The Strategic Objective of the AGRILINK II Project is to create market-driven employment opportunities. The Project performance was 254% of the FY'02 target. The Project has defined an employment opportunity as an opportunity that would supply sustainable full-time employment for one (1) person at the market-based minimum monthly agricultural wage. Employment opportunities are based on the net profit generated through business transactions, as presented in the Performance Monitoring Plan (PMP) approved by USAID/South Africa in February 2002. In FY'02, the AGRILINK II Project created twenty-one thousand ninety-four (21,094) employment opportunities, exceeding the FY'02 target by 154%.

## **2.3 Increased Commercial Viability of Existing Small and Medium Agribusinesses**

### **2.3.1 The Number and Value of Business Transactions**

The AGRILINK II Project measures the increased commercial viability of agribusinesses through the creation of market linkages, the privatization of public enterprises, and an increase in access to finance. These results are aggregated to measure the increase of the number and value of business transactions. During FY'02, the AGRILINK II Project staff completed twenty-seven thousand two hundred eighteen (27,218) business transactions. This level exceeded the FY'02 target by 65%. The value of business transactions completed was R636,744,597, representing 101% of the annual target. The great majority of these transactions were with emergent black farmers. The average value of transactions was slightly lower than projected.

### **2.3.2 Percentage of Business Transactions that Involve Women in Agribusiness**

The Project captures the gender dimension of increased commercial viability of small and medium agribusinesses by measuring percentage of business transactions with agribusiness that involve women. Performance toward this indicator exceeded the target by 70%. During FY'02, women were significantly involved in 34% of the total number of business transactions completed by the AGRILINK II Project, and 64% of the value of the business transactions. The target for female involvement in business transactions in FY'02 was 20% (of number of transactions). The AGRILINK II Project has a high standard for the measurement of the involvement of women: first, the woman must be a part-owner of the agribusiness; and, second, the woman must also be actively involved in the agribusiness operations. A woman is only considered to be "actively involved" in the business transaction if both of these conditions hold. The performance data produce the interesting result that women were involved in transactions of greater average value than males.

## **2.4 Markets for Small and Medium Agribusiness Growth Identified**

### **2.4.1 Number of Markets Identified**

In FY'02, the AGRILINK II Project identified twenty-seven thousand one hundred thirty-eight (27,138) markets for small and medium agribusinesses, of which 34%, involved women. This level represented 170% of the FY'02 target.

In FY'02, markets were identified for a wide range of agricultural products, including lucerne, oranges, potatoes, white maize, sugar beans, cabbage, beetroot, sorghum, tomatoes, land,

livestock, and various farm implements. Markets for livestock (32%) and land (23%) were important in both number and value in FY'02, as seen in Appendix E. Collectively, grains, fruits and vegetables were also important (31%). Agricultural inputs represented a small but important set of markets (14%).

#### **2.4.1.1 Highlights of Markets Identified**

##### **2.4.1.2 Livestock Markets**

Livestock marketing was a key area for the generation of profit by emerging farmers in FY'02. AGRILINK II Project staff assisted farmers at four hundred two (402) livestock auctions/sales in the three (3) Provinces. Overall, thirty-one thousand four hundred nine (31,409) cattle were sold in these auctions. The number of sheep sold in FY'02 was high: sixteen thousand three hundred three (16,303), but the value was considerably less than that for cattle (R13,308,666 in comparison to R173,614,994). Even goats and pigs are being drawn into auctions by emerging farmers. The number of goats and pigs was roughly equivalent, one thousand five hundred twenty-nine (1,529) and nine hundred eighty-five (985), respectively.

There are several animal products for which AGRILINK II Project officers have developed markets. Wool is an important, yet low value commodity, in Eastern Cape. During FY'02, wool worth R443,479 was sold. An improved wool grading and baling system was developed and introduced in Eastern Cape under the AGRILINK I Project. In FY'02, AGRILINK II Project staff have expanded this program. Markets have also been identified for hides and skins. Bovine hides worth R175,508 have been delivered to abattoirs in Eastern Cape.

#### **Livestock Producer Income Increases**

In FY'02, the AGRILINK II Project increased income for emerging livestock producers by bringing auctions closer to farmers and opening new markets.

- In Limpopo Province, the AGRILINK II Project developed a quarantine strategy with the Government veterinarian to enable emerging livestock owners, who live above the "red line", to sell livestock below the line. These livestock producers are currently unable to sell their animals below the line because they live in areas with the potential of hoof and mouth disease from Kruger Park animals. The cattle are quarantined for two (2) weeks in an area that is free from diseases that use game as hosts, and are then transported in sanitary conditions to the abattoirs. A sale of 1,000 cattle will result in over R2.7 million of income for these farmers.
- In Eastern Cape Province, a new industry in skins and hides has been created for emerging farmers. The AGRILINK II Project identified a demand for these animal products, and encouraged two (2) entrepreneurs to collect available skins and hides in the area and cure them for sale. In FY'02, new markets in skins and hides worth R175,508 were created by the AGRILINK II Project in Eastern Cape.
- Under the Linkage Catalyst Grant Program, the AGRILINK II Project funded the National Emergent Red Meat Producers Organization (NERPO) to purchase twelve (12) mobile scales and auction pens. This infrastructure is bringing auctions closer to farmers, reducing transport costs and increasing the price paid for farmers' livestock.

#### **2.4.1.3 Grain, Vegetable and Fruit Markets**

The AGRILINK II Project has identified markets for multiple agricultural products. Grain markets worth R50,406,850 were identified for yellow maize, white maize, green mielies, and soya beans. Markets for fruits and vegetables, including tomatoes, potatoes, cabbages, butternuts, paprika, sugar beans, oranges and groundnuts, worth R26,676,264, were identified during FY'02.

The largest market values identified were for lucerne, dry maize, and green mielies. A large transaction for lucerne was completed in July 2002. The AGRILINK II Project in KwaZulu-Natal facilitated a three (3) year forward contract between a large agricultural co-operative and an agricultural trade and brokerage company to deliver 43,200 tons of lucerne, worth R110,592,000. Lucerne is a new crop for many emerging farmers. The AGRILINK II Project has identified four (4) farming groups in the Project's three (3) provinces, consisting of over one thousand (1,000) emerging farmers to supply lucerne. The co-operative, Agri-Trade, will provide access to production inputs and training, as well as take responsibility for the transport of the crop.

#### **Linking Livestock and Grain Markets**

The AGRILINK II Project staff can use livestock auctions to identify farmers who have other agricultural products to sell and buy.

- In Eastern Cape, the AGRILINK II Project Livestock Officer identified a livestock farmer from Peddie who had twelve (12) tons of white maize to sell. The AGRILINK II Project identified a market with Mtiza Co-operatives for this farmer's maize, and was able to sell the maize for over R69,700.
- In KwaZulu-Natal, the AGRILINK II Project was requested by Umgeni Products (Pty) Ltd. to source sugar beans, and by Haig Farming to source white maize. AGRILINK II Project staff identified cattle farmers at auctions who produce sugar beans and/or maize. Two (2) emerging farmers from Swartberg supplied Umgeni Products with 42.7 tons of sugar beans worth R229,019. Haig Farming was able to source 39.5 tons of white maize, and the emerging livestock/grain farmer earned R123,184.

#### **2.4.1.4 Agricultural In-puts Markets**

In FY'02, markets worth R67,486,969 were identified for agricultural inputs. AGRILINK II Project staff facilitated transport worth R36,900,000. An important constraint for many small farmers is the high cost of transporting the harvested crop. Sugar cane must be transported promptly to the mill to retain sugar content. In May 2002, one thousand six hundred (1,600) emerging cane growers in KwaZulu-Natal were assisted by the AGRILINK II Project to sign contracts with a local transporter.

Other agricultural inputs that have been marketed with assistance by the AGRILINK II Project include treated fence poles (R6,235,869), fertilizers (R20,300,000), insecticides (R1,635,662), farm equipment and implements (R2,196,250), and seed (R45,694).

#### **2.4.1.5 Land Markets**

As part of the process of assisting with land transfers, Agribusiness Linkages Officers helped black emerging farmers who wanted to purchase agricultural land identify suitable farms, based on their preferences, needs and experience. Interviews and site visits clarified what types of farms were suitable for the applicants. The AGRILINK II Project assisted farmers to complete applications for grants and loans. These applications require deeds of sale signed by the owner and the prospective buyer. In FY'02, sixty-five (65) deeds of sales, valued at R85,868,015, were signed with AGRILINK II Project assistance. By the end of September 2002, twenty-two (22) of these deeds of sale had been approved for financing. This aspect of AGRILINK II Project support is detailed in Section 2.5 below in Access to Finance.

#### **2.4.2 Number of Profitable Product Lines Developed or Enhanced**

The Project assisted three hundred sixty-three (363) small and medium agribusinesses to develop or enhance profitable product lines in FY'02. One profitable product line was "graded and sorted wool". Woolgrowers were introduced to a system of grading wool that resulted in a differentiated, more profitable product. The price moved from R5 per kilo for un-graded wool to R23 for graded and sorted wool.

The Project has identified several constraints hindering progress in the introduction of profitable product lines. The development of new product lines involves establishing a longer-term service relationship with agribusinesses in order to assess their capacity and develop new business plans. In addition, Linkage Officers were introduced to the reporting documents later in the year than other documents, and were less familiar with the necessary supporting documentation. Finally, the standard for this indicator is high: the product line must be shown to be "profitable", and not just a new product line. The AGRILINK II Project will put additional effort into accelerating performance in this area in FY'03.

#### **2.4.3 Number of Markets Established with Large Entities**

During FY'02, three hundred ten (310) markets were identified for small and medium agribusinesses with large entities in FY'02. Establishing markets between small and medium agribusinesses, and large entities (defined as enterprises having over one hundred (100) employees and an annual turnover of greater than R1,000,000), was challenging in all three (3) provinces.

In Eastern Cape some of the livestock buyers are classified as large entities. Large agricultural supply firms were identified to purchase fence poles from an emerging agribusiness, and butternuts were sold to a large grocery chain. However, during FY'03 Annual Strategic Work Planning sessions, it was concluded that there were very few large agribusinesses in Eastern Cape, so most linkages must be developed with entities outside the province. In KwaZulu-Natal and Limpopo, there are more agribusinesses and other entities that can be classified as "large." In Limpopo, maize seed was purchased from a large entity. And in KwaZulu-Natal, a contract to transport sugar cane was arranged between small cane growers and a large transport company.

A greater effort will be placed on establishing linkages with large entities in FY'03, as described in the FY'03 Annual Strategic Work Plan. However, given the limited number of large entities overall, the targets for this indicator will be reviewed prior to the development of the FY'04 Annual Strategic Work Plan, and, if necessary, will be renegotiated with USAID/South Africa to reflect the reality in the country.

## **2.5 Enhanced Small and Medium Agribusiness Capacity to Respond to Markets**

### **2.5.1 Number of Entrepreneurs who Receive Business Training and Number of Hours of Business Training**

In FY'02, the AGRILINK II Project trained three thousand fifty-nine (3,059) agribusiness entrepreneurs (29% women) for a total of seven thousand four hundred forty-seven (7,447) hours of farm management and business skills training in the three (3) provinces. As discussed in the FY'03 Annual Strategic Work Plan, the relationship between entrepreneurs trained and hours of training will be reviewed at the end of FY'03.

The Project has facilitated business skills training in numerous areas. Technical training in product and technology development was conducted in such areas as wool grading and baling, hides and skins curing, cattle branding, horticultural management and drip irrigation. Training in access to finance for both loans and grants has been extensive, particularly in Eastern Cape. AGRILINK II Project staff trained over two thousand one hundred (2,100) livestock producers in marketing skills, branding and animal health in FY'02. Over one hundred thirty (130) farmers were trained in farm management and finance, and four hundred thirty-eight (438) farmers were trained in crop production techniques. The AGRILINK II Project has sought out local emerging farmer associations for training sessions as a means to increase the number of farmers who can benefit from the training.

The Agricultural Research Council (ARC), an AGRILINK II Project Linkage Catalyst Grantee, has conducted extensive training for emerging agribusinesses. Since grant funding was initiated, the ARC has reported training two hundred ninety-nine (299) entrepreneurs for two thousand seven hundred ninety-five (2,795) hours. ARC training focuses primarily on crop management, and the introduction of new technologies for new crops (fynbos, herbs, etc.) and new varieties and cultivars.

### **2.5.2 Number of Value-Added Technology Transfers**

A "value-added technology transfer" is defined as the introduction of a new technology to a small or medium agribusiness that increases the market value of a product or the productivity of the agribusiness. The technology transfer is recorded when an agribusiness applies the technology and sells the product, and the AGRILINK II Project can determine that there has been value added to the product. The technology can not be reported until the crop is sold at the end of the season, creating a lag in reporting. In FY'02, a total of three hundred sixty-three (363) technologies were introduced to emerging farmers. The key area of technology transfer in FY'02 was the introduction of woolgrowers to a wool grading and bagging system in Eastern Cape. Other value-added technologies that are being introduced in the provinces, currently being

documented, are, *inter alia*, cattle branding, stock improvement, fruit protection, and herb production.

### **2.5.3 Number and Value of Privatized Public Enterprises**

The AGRILINK II Project was responsible for the privatization of five (5) public enterprises during FY'02. This represents 167% of the annual target of three (3) enterprises. The AGRILINK II Project's successful FY'02 privatizations were primarily in Government-owned land in Eastern Cape. Three (3) Government-owned farms (one thousand two hundred twenty-nine (1,229) hectares) were transferred from the Department of Land Affairs (DLA) to private farmers with the assistance of the AGRILINK II Project. The AGRILINK II Project provided the DLA with farm profitability analyses that assisted in Department's decision to privatize these farms.

In addition, the AGRILINK II Project assisted in the analysis of land acquired by the Gariep Municipality for lease to the Ikhwezi Lomso Emerging Farmers Association (ILEFA), a farmers association with one hundred twenty-nine (129) members. The land, along with the farm buildings and equipment that had been held in commonage by the Municipality, was leased to ILEFA.

## **2.6 Increased Small Agribusiness Access to Finance**

### **2.6.1 Performance in Accessing Finance**

In FY'02, the AGRILINK II Project assisted seventy-five (75) small and medium agribusinesses to access finance worth R33,662,375. Most finance has been used to buy land from willing commercial white farmers or the Government, through the Government of South Africa's Land Redistribution for Agricultural Development (LRAD) facility and the Land Bank. The AGRILINK II Project has also assisted farmers to access finance for crop production and agricultural inputs through non-traditional sources, such as supplier credit.

### **2.6.2 Highlights of Accessing Finance**

#### **2.6.2.1 Financing for Land Transfers**

One of the most successful areas of AGRILINK II Project assistance is in the area of land transfers. The AGRILINK II Project assists emerging farmers to access land through several means. First, AGRILINK II Project staff help potential farmers identify land that is suitable to their farming experience, needs and preferences. Since the AGRILINK II Project began implementation in October 2001, fifty thousand seven hundred nine (50,709) hectares of agricultural land, worth R85,868,015, have been identified for purchase by approximately seven thousand six hundred (7,600) emerging farmers in the three (3) provinces. Second, these farmers need access to finance to acquire the land. The AGRILINK II Project assists these farmers to access grants and loans from appropriate agricultural financial institutions. The most common source of funding is the Government of South Africa's Land Redistribution for Agricultural Development (LRAD) facility and the Land Bank. To date, grants and loans worth R29,039,465 have been approved for land transactions. Over three thousand seven hundred (3,700) emerging farmers have received grants and loans to purchase land with AGRILINK II Project support.

In Eastern Cape, the AGRILINK II Project provides unique assistance to the Department of Land Affairs implementation of the LRAD facility. The AGRILINK II Project's assistance in the land transfer process was formalized in 2<sup>nd</sup> Quarter FY'02, through a Memorandum of Understanding between the AGRILINK II Project and the Eastern Cape Department of Land Affairs. The Memorandum specifies the technical inputs provided by the AGRILINK II Project, including desk-top valuations, income potential analyses, and financial viability studies.

Recent land transfer success stories include the Dukhatole Communal Property Association (CPA), Eastern Cape, and Thiko Development cc, in Limpopo Province. The Dukhatole CPA, consisting of forty-nine (49) emerging farmers, including eight (8) women, was able to purchase an eight hundred thirty-two (832) hectare dairy farm with two hundred (200) milk cows through a grant from the Department of Land Affairs (DLA), worth R820,000. The AGRILINK II Project provided an economic assessment of the agribusiness that contributed to a fair market price agreed to by both buyers and sellers. The AGRILINK II Project assisted Thiko Development cc, consisting of four (4) families in the former Venda area of Limpopo Province, to identify a one hundred (100) hectare orchard, and to apply for finance from the Land Bank and the Department of Land Affairs to purchase the orchard. The deed of sale was signed in April 2002, and notification of the approval of the provision of finance by the Land Bank was received in September 2002. The AGRILINK II Project will assist the farmers to identify markets for their production of mangoes, litchis, bananas, guavas and macadamia nuts.

### **AGRILINK II Project Role in Largest Land Transfer to date in South Africa**

The AGRILINK II Project's contribution to the largest land transfer to date, the settlement of the Makhoba Community Land Claim, was recognized at a public event in May 2002 attended by President Thabo Mbeki, and the Minister of Agriculture, Ms. Thoko Didiza. USAID/South Africa and AGRILINK II Project staff were invited to attend the ceremony in recognition of the Project's assistance.

The Makhoba tribe was forcibly removed from their land in 1946 and relocated to mountainous Matatiele, in Eastern Cape. In 1995, a claim for the land was lodged by Chief Ambrose Makhoba, representing the Makhoba community. Mr. Leon Coetzee, Provincial Manager, AGRILINK II Project, Eastern Cape, was approached by the property valuers to provide a commercial viability assessment of the agricultural potential of the farms. This valuation was an important element in the settlement reached by the farmers and the Makhoba community, leading to the land restitution. The valuation by the AGRILINK II Project involved ten thousand nine hundred eighty-six (10,986) hectares, for which the sellers received R11,600,000. Approximately one thousand four hundred (1,400) Makhoba Clan farm families are being resettled on the land. The AGRILINK II Project is providing continuing support to ensure that these settlers will develop commercially viable agribusinesses.

#### **2.6.2.2 Financing for Agricultural In-puts**

Agricultural input finance has been challenging to access during FY'02. In Eastern Cape, Mr. Enoch Qwabe, Agribusiness Linkages Officer, has been successful in assisting farmers to access grants worth R1,226,673 from the Eastern Cape Provincial Department of Agriculture to fence their land. And Mr. Bradley McDonald, Provincial Manager, KwaZulu-Natal, has facilitated loans for potato and cash crop production worth R74,140 from the Land Bank. In September 2002, a production loan worth R20,000 from Uvimba Finance Ltd. was secured for the production of aloe in Eastern Cape.

The AGRILINK II Project has faced several constraints to the accessing of production loans for emerging farmers, particularly from traditional financial institutions. First, due to declining land values in South Africa, most farmers have found it difficult to raise sufficient capital to purchase inputs. Second, farmers in communal areas can not use land as collateral, and do not have documented production records, limiting their ability to access finance. Third, delays of ten (10) to twelve (12) months, in the processing of applications by the Land Bank, the primary source of credit for agribusinesses, imply that finance can only be pursued a year in advance. To address these constraints, the AGRILINK II Project has worked with emerging farmer associations and commodity brokers to develop forward contracts for agricultural production, so that the contracts would serve as collateral to raise finance. Several commercial banks and donor organizations have been approached by the Project to develop a "risk-managed input finance" arrangement to fund emerging farmers.

### **2.6 Reduced Policy and Regulatory Constraints to Small and Medium Agribusiness Development**

The objective is to assist agribusiness clusters - groups of agribusinesses with common interests - to affect policy reform. The AGRILINK II Project uses two (2) approaches to reduce policy and regulatory constraints. First, Agribusiness Linkages Officers address constraints encountered while working with farmers and local and provincial governments and propose solutions to reducing the negative impact of regulations on farmers. Second, an expert consultant will identify constraints through interviews and policy reviews, making recommendations on legislation and the redrafting of regulations.

The AGRILINK II Project has already generated some progress with the first approach. In Limpopo Province, Mr. Edwin Ndou, Agribusiness Linkages Officer (Livestock), developed a strategy, working with a Government veterinarian, to enable emerging livestock owners who live above the "red line", and thus are unable to sell their animals below the line due to the potential of hoof and mouth disease from Kruger Park animals, to transport livestock directly to abattoirs below the line. The animals are quarantined for two (2) weeks in an area that is free from diseases that use game as hosts, and then are transported in sanitized vehicles, and tested by a veterinarian. This system, facilitated by the AGRILINK II Project, reduces the negative impact of the regulation on the farmers.

The second approach will be applied in FY'03. The FY'02 activities under this Intermediate Result were planned to have been implemented in 3<sup>rd</sup> and 4<sup>th</sup> Quarters, FY'02; however, Dr. Nick Vink, the principal investigator, was on extended study leave overseas and only became



available as a Consultant to the Project at the end of 4<sup>th</sup> Quarter, FY'02. The Terms of Reference of his consultancy were completed in 2<sup>nd</sup> Quarter, FY'02, and a contract will be signed with him in October 2002.

### **3.0 LINKAGE CATALYST GRANT PROGRAM**

#### **3.1 Grant Selection Process**

The AGRILINK II Project Technical Proposal identified strategic South African and international partners to provide provincial, national and international linkages and programmatic delivery. These strategic partners were a) agricultural unions and associations; b) agricultural technology agencies; c) HIV/AIDS awareness and education organizations; and, d) policy reform consultants.

The AGRILINK II Project identified eleven (11) potential grantees in these four (4) areas through a limited competition tender in 1<sup>st</sup> Quarter, FY '02, according to the following Technical Evaluation Criteria:

- **Activity Design:** The applicant had to demonstrate the feasibility of the proposed intervention in terms of realistic and achievable results.
- **Management Capabilities:** The applicant had to demonstrate its management capabilities, especially financial and administrative.
- **Proposed Personnel:** The applicant had to identify all key team members.
- **Presentation:** This addressed the quality and clarity of the application, and its responsiveness to the solicitation requirements.
- **Cost Proposal:** The applicant had to detail all costs associated with the completion of the tasks, as well as institutional overheads and in-kind contributions.

The selected grantees included:

- 1. Agricultural Unions and Associations:** KwaZulu-Natal Farmers Union (KWANALU), National Red Meat Producers Organization (NERPO), Agricultural Business Chamber (ABC), and the Great North Farmers Union (GNFU).
- 2. Agricultural Technology Transfer Organizations:** Agricultural Research Council (ARC), Siyazisiza Trust, and Land O'Lakes.
- 3. HIV/AIDS Awareness and Education Organizations:** Vukume Support Group, CHOICE, and Catholic Relief Services/Sinosizo (CRS/Sinosizo).
- 4. Policy Organizations:** Baekey International Associates.

Two (2) of these grantees - Great North Farmers Union and the Agribusiness Chamber - were subsequently withdrawn from the grant program due to deficiencies in financial capabilities or their proposals. The NuFarmer & African Entrepreneur, a monthly agricultural paper targeted at emerging farmers, presented an un-solicited proposal to the AGRILINK II Project, which was reviewed and accepted by the Technical Review Committee in 3<sup>rd</sup> Quarter, FY'02. Appendix F presents an overview of each Grantee, the total grant to each Grantee, and their reporting status.

#### **3.2 Grant Agreements and Bench Audits**

In 2<sup>nd</sup> and 3<sup>rd</sup> Quarters, FY'02, the Linkage Catalyst Grant Manager worked with grantees to revise proposals, and format budgets. Bench Audits to verify financial accountability of these

organizations were undertaken during 2<sup>nd</sup> and 3<sup>rd</sup> Quarters, FY'02. EM&I's Corporate Counsel developed a grant agreement in compliance with USAID contracting procedures.

In 3<sup>rd</sup> Quarter, FY'02, seven (7) signed Linkage Catalyst agreements were submitted to the Regional Contracts Officer, USAID/South Africa, and to the Controllers Office, USAID/South Africa: KwaZulu-Natal Agricultural Union (KWANALU), the National Emergent Red Meat Producer's Organization (NERPO), Comprehensive Health Care Trust (CHOICE), Agricultural Research Council (ARC), Catholic Relief Services (CRS)/Sinosizo Home Based Care, Siyazisiza Trust and Land O' Lakes. In 4<sup>th</sup> Quarter, FY'02, two (2) additional signed grant agreements were submitted to the Regional Contracting Officer: NuFarmer & African Entrepreneur, and Vukume Support Group.

### **3.3 Current Implementation Status**

Many of the Linkage Catalyst Grantees are in the initial stages of program start-up. The grantees that have started implementation of activities include the ARC, Sinosizo Home Based Care Program (partnered by Catholic Relief Services), NERPO, and KWANALU. Two (2) of these organizations - ARC and KWANALU - are already reporting results toward the AGRILINK II Project indicators. In FY'02, the ARC trained two hundred ninety-nine (299) entrepreneurs, of whom 36% were women. Business transactions worth R32,955,929 were contributed by staff seconded by KWANALU to the AGRILINK II Project. Consultations are being held with all grantees to ensure that their activities contribute directly to the AGRILINK II Project framework, quantitatively, as well as qualitatively.

#### **AGRILINK II Project Facilitates Educational Tour for NERPO Members**

Between the 7<sup>th</sup> and 17<sup>th</sup> October 2001, five (5) members of the National Emergent Red Meat Producers Association (NERPO) traveled to Texas, USA, on an education tour coordinated by the AGRILINK II Project. The group visited ten (10) beef cattle ranches in the Houston and College Station regions, and various departments and faculties at Texas A&M University at College Station and Prairie View. The tour objective was to expose emerging South African farmers to be exposed to U.S. breeding techniques, including embryo transfers and artificial insemination. The livestock producers qualified by the tour, according to criteria established by NERPO to recognize excellent emerging livestock producers.

### **4.0 GENDER CONCERNS**

All relevant Project Performance Monitoring Indicators are disaggregated by gender and province; however, there is only one (1) gender-specific indicator with targets for the project: *Percentage of Business Transactions that Involve Women in Agribusiness*. The AGRILINK II Project Performance Monitoring Plan defines a "Woman Actively Involved" as a "woman holding a position of responsibility in the operation of the agribusiness". To measure performance, AGRILINK II Project staff determine the involvement of women in each

agribusiness transaction completed. Performance toward this indicator during FY'02 was 34%, which exceeds the FY'02 target of 20%.

For all other indicators disaggregated by gender, the active involvement of women is quite high. Women are involved in 34% of the agribusinesses for which the AGRILINK II Project identified markets, and they are actively involved in 92% of the agribusinesses that accessed finance with the assistance of the AGRILINK II Project.

Rural women were also reached through the distribution of condoms and HIV/AIDS awareness. Women represented 26% of the participants in HIV/AIDS awareness sessions held by the AGRILINK II Project staff during 3<sup>d</sup> Quarter, FY'02. Women are also actively involved in the AGRILINK II Project Linkage Catalyst Grantee programs as members of HIV/AIDS support groups, farmer training, technology transfer programs and other activities.

## **5.0 HIV/AIDS – AWARENESS, PREVENTION AND MITIGATION**

The AGRILINK II Project HIV/AIDS strategy has two (2) approaches: (a) Agribusiness Linkage Officers act as agents of change in rural areas; and, (b) HIV/AIDS Linkage Catalyst Grantees expand their activities to farming populations.

### **5.1 Agribusiness Linkages Officers**

During FY'02, AGRILINK II Project staff in the three (3) provinces handed-out forty-nine thousand eight hundred (49,800) condoms and HIV/AIDS awareness materials in meetings attended by six thousand two hundred sixteen (6,216) farmers, of whom 26% of the attendees were women. AGRILINK II Project staff are active in Eastern Cape and KwaZulu-Natal Provinces in the distribution of condoms and HIV/AIDS awareness materials. Activities in Limpopo Province will commence in 1<sup>st</sup> Quarter, FY'03.

### **5.2 HIV/AIDS Linkage Catalyst Grantees**

The AGRILINK II Project has selected three (3) Linkage Catalyst Grantees, one (1) in each province, to expand activities in rural areas.

**CHOICE/Vavasati.** In Limpopo Province, Comprehensive Health Care Trust (CHOICE), based in Tzaneen, has a community health program working in the Greater Tzaneen area with a population of four hundred forty-eight thousand (448,000), focusing on farm workers on over fifty (50) large, commercial farms. CHOICE has partnered with a local NGO, Tivoneleni/Vavasati (Women Watch for Yourself) AIDS Awareness Project. These organizations received their first funds in June 2002 and have begun to implement HIV/AIDS activities.

CHOICE implemented a home-based care program in Limpopo Province for HIV/AIDS patients, and trained women to become ancillary health workers. Nine hundred fifteen (915) home-based care visits were conducted in 3<sup>rd</sup> and 4<sup>th</sup> Quarters, FY'02. Tivoneleni Vavasati conducted community-centered HIV/AIDS education workshops reaching over five hundred (500) individuals, using their expertise in communication through drama and theatre. They trained traditional leaders to educate their stakeholders about STDs, TB, HIV/AIDS, teenage pregnancy,

drug and alcohol abuse, and other related health issues. One hundred twenty-six thousand two hundred thirty-eight (126,238) condoms were distributed by the two groups, and two hundred three (203) individuals received HIV/AIDS awareness material. In addition, two thousand six hundred seventy-five (2,675) referrals were made to HIV/AIDS service organizations.

**Catholic Relief Services (CRS).** CRS works with Sinosizo Home-based Care, a leader in the church network in KwaZulu-Natal Province, to carry-out community-based care, counseling and orphan support activities, as well as training outreach and mentoring to smaller, faith-based HIV/AIDS service organizations. Sinosizo is based in Durban and conducts its home-based care activities in peri-urban areas. With the AGRILINK II Project grant, Sinosizo is expanding its rigorous, participatory training, aimed at increasing knowledge and changing attitudes among volunteers and staff to improve HIV/AIDS awareness and home-based care services to rural areas in KwaZulu-Natal Province. In FY'02, Sinosizo staff and volunteers made twenty-one thousand nine hundred thirty-six (21,936) home-based care visits, nineteen thousand five hundred seventy-four (19,574) people received HIV/AIDS awareness materials, and there were six hundred seventy (670) referrals to HIV/AIDS service organizations.

**Vukume Support Group.** In Eastern Cape, Vukume Support Group, composed of HIV-positive and negative people, aims at bringing awareness of HIV/AIDS to communities, mainly in rural areas and on farms, increasing the acceptance of HIV-positive people, and increasing the independency and productivity of HIV-infected people by equipping members with self-help skills. Vukume Support Group expects to form twenty (20) new Support Groups through the AGRILINK II Project's five-year funding. In FY'02, five (5) HIV/AIDS awareness presentations were made to over five hundred (500) people, and ten (10) home-base care visits were made to ill members.

AGRILINK II Project staff and the three (3) HIV/AIDS organizations report results that accord with the strategic framework of USAID's Strategic Objective 4. In particular, the number of condoms distributed, and the number of men and women, who are exposed to HIV/AIDS awareness and education messages and materials, are reported to the AGRILINK II Project. Other activities conducted by the three (3) organizations are also reported. Appendix F provides a summary of progress to date for all grantees.

## **6.0 PERFORMANCE MONITORING AND EVALUATION**

### **6.1 Development of the Performance Monitoring Plan (PMP)**

During 1<sup>st</sup> Quarter FY'02, Mr. Allan Brown, Performance Monitoring Specialist, and USAID SO5 Management, as well as other USAID performance monitoring experts, held extensive discussions concerning the development of the AGRILINK II Project Performance Monitoring Plan (PMP). The SO5 Strategic Results Framework was the fundamental base for the development of AGRILINK II Project specific indicators and definitions.

Several issues arose during the development of the PMP, and agreements were noted in memoranda. In 1<sup>st</sup> Quarter, FY'02, the currency-based performance indicator targets and the reporting procedures were agreed upon in terms of U.S. dollars. It was agreed that these targets

will be set only in Rands, but reported in both Rands and Dollars. Specific definitions were also agreed upon, including those for “market-driven employment opportunities” and “agribusiness”. The PMP includes an extensive Glossary, containing these definitions, among others.

On 22<sup>nd</sup> January 2002, Mr. Reibel, Chief-of-Party, AGRILINK II Project, submitted ten (10) copies of the AGRILINK II Project's Performance Monitoring Plan (PMP), prepared by Mr. Brown, to Mr. Dorvin Stockdale, CTO, USAID/South Africa. The PMP was approved by Mr. Stockdale on 5<sup>th</sup> February 2002.

## **6.2 Implementation**

During 2<sup>nd</sup> and 3<sup>rd</sup> Quarters FY'02, PMP instruments (reports) were developed to document each appropriate project indicator to ensure verification. Mr. Brown field-tested these reports in Eastern Cape, and all AGRILINK II Project staff have been fully trained in the type and quality of supporting documentation necessary to verify each transaction. The reports were subsequently included in the PMP.

During 3<sup>rd</sup> Quarter, FY'02, Mr. Brown updated the Glossary of Definitions for the Performance Monitoring Plan (PMP). Several definitions have been refined, as specific transactions highlighted the need for more precise use of terms. The updated Glossary has been distributed to all AGRILINK II Project staff and strategic partners.

In 1<sup>st</sup> Quarter, FY'02, Mr. Brown met with USAID SO3 Team Leader, Ms. Melinda Wilson, to ensure that the AGRILINK II Project HIV/AIDS strategic framework was consistent with that of SO3. He subsequently met with each of the AGRILINK II Project HIV/AIDS Linkage Catalyst Grantees to introduce the strategic framework, and help them identify definitions for indicators appropriate for their activities.

## **6.3 Reporting Issues**

The PMP was officially applied to all transactions following 5<sup>th</sup> February 2002, the date of signature by the USAID Cognizant Technical Officer. Performance reporting prior to 5<sup>th</sup> February 2002 had not been subjected to the requirements of the PMP. During 3<sup>rd</sup> Quarter, FY'02, project performance data collected prior to 5<sup>th</sup> February 2002 were reviewed and subjected to the standards and definitions of the PMP. This review resulted in a revision of the progress of the AGRILINK II Project toward annual performance targets: performance for six (6) indicators worsened, four (4) improved and five (5) remained constant. On the basis of the revised data, the AGRILINK II Project staff reviewed performance at the end of 3<sup>rd</sup> Quarter, FY'02, and developed revised strategies to reach annual targets. These strategies include increased training, identification of linkages with large agribusinesses, and a stronger focus on finance.

Data used to estimate the highest-level result, Increased Market-driven Employment Opportunities, were revised and improved twice during FY'02. The indicator is based on a calculation of the number of potential jobs at minimum wage that can be generated by the profit of a successful AGRILINK II Project agribusiness transaction. AGRILINK II Project officers drew upon up-to-date agronomic and agricultural data from the Department of Agriculture 2002 Enterprise Budgets to develop the net profit of agribusiness activities. Agricultural commodity

and input prices must be current, and estimation of yields and production inputs must be accurate.

Since the acceptance of the PMP, several refinements have been made. In a meeting on 11<sup>th</sup> March 2002 with Mr. Bill Brands, SO5 Team Leader, USAID/South Africa, it was agreed to change the wording of Intermediate Result 5.2.3 from "Increased Small and Medium Agribusiness Access to Capital Resources" to "Increased Small and Medium Agribusiness Access to Finance".

Another issue discussed in FY'02 was the implications of Municipal Commonage LRAD Grants for performance reporting. Mr. Leon Coetzee, Provincial Manager, Eastern Cape, assisted several small municipalities to access LRAD grants to purchase land for allocation to commonage projects. Municipalities do not fall within the definition of an "agribusiness", according to the Performance Monitoring Plan. However, in the short-term, farmers will be able to utilize the commonage to increase their capacity to respond to markets. In the longer-term, the municipalities are expected to grant farmers "Permission to Occupy" (PTO) the land to increase the commercial viability of their small agribusinesses. Therefore, after correspondence in April 2002 with Mr. Dorvin Stockdale, AGRILINK II Project Cognizant Technical Officer and Senior Agricultural Advisor, USAID/South Africa, it was determined that these transactions will not count toward the Access to Finance target, but will be considered to have increased markets for small agribusinesses. As farmers are granted PTOs, AGRILINK II Project staff will work with them to improve their commercial viability.

## **7.0 COORDINATION WITH STAKEHOLDERS IN THE AGRICULTURAL SECTOR**

### **7.1 AGRILINK II Project Briefings to USAID**

In FY'02, AGRILINK II Project staff briefed USAID officials from the South Africa Mission, the Regional Center for Southern Africa (RCSA), and from USAID/Washington on Project performance and activities. Briefings to Mission personnel were provided to Mr. Dirk Dijkerman, Mission Director, USAID/South Africa, Mr. Bill Brands, USAID SO5 Team Leader (until June 2002), Mr. Joel Kolker, USAID SO5 Team Leader (current), Mr. Dorvin Stockdale, Senior Agricultural Officer and Cognizant Technical Officer, AGRILINK II Project, USAID/South Africa, Mr. Jerry Kryschal, Regional Contracting Officer, USAID/South Africa (until June 2002), and Ms. Reverie Zurba, Public Affairs Officer.

Briefings on AGRILINK II Project performance were also provided to Mr. Gary Mullins, Agriculture and Natural Resources Officer, USAID/RCSA, Botswana, Mr. Juan Buttari, Chief Economist, Africa Bureau, USAID/Washington, and Ms. Madeleine Gauthier, Economist, Africa Bureau, USAID/Washington.

### **7.1.1 USAID Visits to AGRILINK II Project Sites and Related Activities**

In April 2002, Ms. Eileen Oldwine, Deputy Mission Director, Mr. Bill Brands, Team Leader, SO5, Mr. Dorvin Stockdale, Senior Agricultural Officer and Cognizant Technical Office, AGRILINK II Project, and Ms. Reverie Zurba, Public Affairs Officer, along with AGRILINK II Project staff attended a ceremony in Kokstad, KwaZulu-Natal, in which President Thabo Mbeki officially handed-over ten thousand nine hundred eighty-six (10,986) hectares of land to the Makhoba Community, the result of an extended case of land restitution. USAID representatives and the AGRILINK II Project staff were invited because of their role in providing a commercial valuation of the land - an important element in the settlement reached by the farmers and Makhoba community - in the land restitution case.

In June 2002, Mr. Nicholas Shanga, National Financial Services Manager, accompanied Ms. Reverie Zurba, USAID Public Liaison Officer, to Tumelong Farm in Winterveld, Gauteng. Mr. Shanga has provided financial advice and introduced Land Bank officials to the Tumelong managers, a group of young farmers, who are producing high-quality, greenhouse paprika for specialty markets, such as Woolworths. Ms. Zurba surveyed the vegetable production and interviewed the men and women who manage the farm.

Over a three (3) day period in August 2002, Mr. Joel Kolker, SO5 Team Leader, visited AGRILINK II Project sites, including a livestock auction, several citrus and mango farms, and a fruit packing plant in Limpopo Province. Mr. Kolker was accompanied by Mr. Jaime Reibel, Chief-of-Party, Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program), and Mr. Riaan Breedts, Provincial Manager, Limpopo Province.

Significant contact was maintained with the Mr. Dorvin Stockdale, Cognizant Technical Officer, AGRILINK II Project, throughout the year, at both Head Office and Provincial level.

### **7.1.2 Conferences and Presentations**

In March 2002, Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program), delivered a speech on the AGRILINK II Project to a USAID/South Africa-sponsored Agribusiness Linkages Workshop attended by many agricultural representatives, including the National Department of Agriculture (NDA), AGRI-SA, NERPO, Agricultural Business Chamber, financial institutions and farmers. Mr. Ramabulana's presentation focused on the AGRILINK II Project's linkages methodology and project achievements.

Mr. Leon Coetzee, Provincial Manager, Eastern Cape, and Ms. Busisiwe Xulu, Agribusiness Linkages Officer, KwaZulu-Natal, were invited in August 2002 to make a presentation on the role of the AGRILINK II Project in the South African land transfer process at the USAID-sponsored Side Event on Property Rights and Governance at the World Summit on Sustainable Development (WSSD). The presentation highlighted the AGRILINK II Project's support to the implementation of the South African Government's Land Redistribution for Agricultural Development (LRAD) facility, and reported on Project Performance to date.

### **7.1.3 Coordination with the Government of South Africa**

In FY'02, AGRILINK II Project staff met frequently with officials from the National Department of Agriculture (NDA) at both the national and provincial levels to ensure

coordination between Project and Department activities. At the national level, Mr. Jaime Reibel, Chief-of-Party and Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program), met many times during the year with Mr. Masiphula Mbongwa, Deputy Director-General, Agricultural Development, Mr. Attie Swart, Assistant Director General, Trade and Business Development, and Ms. Liako Moahloli, Director, Business & Institutional Development.

In April 2002, Mr. Swart and Ms. Moahloli visited AGRILINK II Project activities in Eastern Cape Province, accompanied by Mr. Simon Aphane, Managing Director, EM&I, Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program), and Mr. Leon Coetzee, Provincial Manager, Eastern Cape. Mr. Swart and Ms. Moahloli visited a cattle breeder and a black livestock trader in Peddie, as well as the Peddie pineapple project, all three (3) of which the AGRILINK II Project has assisted with the purchase of inputs and identification of markets. The group also attended a livestock auction in which AGRILINK II Project staff assisted emerging farmers, and they met with a group of farmers who had recently acquired a farm through the LRAD Program, with support by Mr. Coetzee.

At the provincial level, Mr. Reibel and Mr. Ramabulana met with

- Mr. Max Mamase, MEC, Department of Agriculture, Eastern Cape and Mr. Mlulami Manjezi, Head of Department, Department of Agriculture, Eastern Cape (28<sup>th</sup> March 2002);
- Mr. Aaron Motsoaledi, MEC Agriculture, Department of Agriculture & Environment, Northern Province, and Dr. R.P. Mohlahlane, Director General Department of Agriculture & Environment, Northern Province (5<sup>th</sup> Feb 2002);
- Mr. E.M. Ramafoko, Head of Department, Mr. Viljeon Mothibi, Director, Agricultural Development, Mr. Thabang Sibhono, Private Secretary to the MEC, Department of Agriculture, Northern Cape Province (3<sup>rd</sup> April 2002);
- Mr. Johan Gelderboom, MEC, Agriculture, Department of Agriculture, Western Cape and Mr. Piet Van Rooyen, Chief Director of Agriculture, Department of Agriculture, Western Cape Province, (17<sup>th</sup> April 2002, 3<sup>rd</sup> May 2002);
- Mr. S. Denecker, Head of Department, Department of Agriculture, Free State, Mr. Hans Janse van Rensburg, Deputy Director, Agriculture Economics & Planning, Department of Agriculture Free State (29<sup>th</sup> April 2002);
- Mr. Harry Strauss, Permanent Secretary, NDA, KwaZulu-Natal (19<sup>th</sup> October, 2001; 2<sup>nd</sup> November 2001);
- Mike Kenyon, Provincial Manager DLA Eastern Cape, (28<sup>th</sup> November 2001; 23<sup>rd</sup> Jan 2002);
- Mr. John Allwood, Deputy Permanent Secretary, Eastern Cape Provincial Department of Agriculture, (23<sup>rd</sup> Jan 2002);
- Mr. Rashid Kahn, Regional Director, Department of Water Affairs, and Forestry, Western Cape Province (17<sup>th</sup> April 2002).



#### **7.1.4 Coordination with Other Stakeholders and Donors**

Discussions with European donors concerning agricultural production in the AGRILINK II Project target provinces were held in January 2002. Two (2) presentations on British foreign assistance to South Africa by the U.K. Minister for Development, Ms. Clare Short, sponsored by the U.K's Department for International Development (DFID), were attended by AGRILINK II Project staff.

Meetings were held with various representatives of farmers' associations and commodity organizations, including AGRI-SA, NERPO, KWANALU, Great North Farmers Union, Stockowners Association, Grain-SA, and other organizations. In addition, AGRILINK II Project staff attended the NERPO/RPO, KWANALU and Agricultural Business Chamber (ABC) annual meeting, and agricultural product expositions for the wood industry, fruits and vegetables, and soya beans.

### **8.0 PROJECT ADMINISTRATION**

On 13<sup>th</sup> August 2001, Enterprise Management and Innovation (Pty) Ltd. (EM&I) received notification from Mr. Jerry Kryschal, Regional Contracting Officer, USAID/South Africa, that it had been awarded the South Africa: Increasing Employment Opportunities in Agriculture (AGRILINK II) Project contract, for the period 13<sup>th</sup> August 2001- 30<sup>th</sup> July 2006. USAID Contract No. 674-01-P-0003 was signed the same day.

#### **8.1 Personnel**

During FY'02, the AGRILINK II Project hired a total of twenty-nine (29) persons. Five (5) persons resigned during the year, and four (4) were dismissed. At the end of FY'02, the AGRILINK II Project employed a full-time staff of twenty-three (23).

The AGRILINK II Project consists of Head Office and three (3) Provincial Offices. The current staffing pattern can be seen in Appendix G AGRILINK II Project Staff Organigram.

**Head Office.** In 1<sup>st</sup> Quarter, FY'02, the AGRILINK II Project identified and hired key personnel in Head Office: Mr. Jaime Reibel, Chief-of-Party, Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program) and National/International Market Linkages Manager, and Mr. Nicholas Shanga, National Financial Services and Business Development Manager. Other staff include Mr. Allan Brown, Monitoring and Evaluation Specialist, Ms. Colleen DuPlessis, Administrative Coordinator, Mr. Phillip Nel, Financial Services Manager (Corporate), Dr. Kristy Cook, Co-Deputy Chief-of-Party (Administration), Ms. Jean McKenzie, Reporting Systems and Training Manager, and Ms. Amy Schmulian, Agricultural Information Specialist.

**Eastern Cape Province.** The AGRILINK II Project Eastern Cape Provincial Office staff consists of Mr. Leon Coetzee, Provincial Agribusiness Linkages Manager (Land), Mr. Enoch Qwabe, Agribusiness Linkage Officer (Crops and In-puts), Ms. Susan Hayes, Administrative Assistant, Mr. Mzukisi Makinana, Agribusiness Linkages Officer (Livestock), and Mr. Ndabazabantu Cakwe Agribusiness Linkages Officer (Crops and Livestock).

**KwaZulu-Natal Province.** The AGRILINK II Project KwaZulu-Natal Provincial Office consists of Mr. Bradley McDonald, Provincial Agribusiness Linkages Manager (Crops and Inputs), Mr. Cleo Mpungose, Agribusiness Linkages Officer (Sugar and Timber), Ms. Masuzgo Muhondo, Administrative Assistant, Mr. Abendego Buthelezi Agribusiness Linkages Officer (Livestock), and Ms. Busisiwe Xulu, Agribusiness Linkages Officer (Land).

Mr. Brendon Longhurst was seconded by KWANALU to the AGRILINK II Project, with effect from 1<sup>st</sup> June 2002. He fulfills the duties of an Agribusiness Linkages Officer (Crops), KwaZulu-Natal Province.

**Limpopo Province.** The AGRILINK II Project Limpopo Provincial Office consists of Mr. Riaan Breedts Provincial Linkages Manager (Crops and Inputs), Ms. Mukondi Phetla, Administrative Assistant, Mr. Rudi Vos (Crops and Inputs), Mr. Clerans Maeko, Agribusiness Linkage Officer (Land), and Mr. Edwin Ndou, Agribusiness Linkages Officer (Livestock).

## **8.2 Procurement**

As stated in the EM&I Technical Proposal, the AGRILINK II Project received the entire EM&I \$46,954 in-kind contribution of furniture and equipment in the first month (August 2001) of operations. A full-maintenance lease for project vehicles was concluded with Lease Management South Africa (Pty) Ltd., and fuel card contracts were arranged.

In 2<sup>nd</sup> Quarter, FY'02, the Limpopo Provincial Office was established. Furniture and equipment were supplied by EM&I, and computers, faxes and telephone services were contracted for. Building security was upgraded to meet acceptable standards. AGRILINK II Project staff moved into the office on 1<sup>st</sup> February 2002.

In 3<sup>rd</sup> Quarter, FY'02, the AGRILINK II Project KwaZulu-Natal Office was moved from KWANALU premises to EM&I office space in Pietermaritzburg. Additional office furniture and equipment was supplied to expand the office to accommodate additional staff. Security upgrades, parking facilities, etc., were provided to accommodate the AGRILINK II Project offices.

## **8.3 Management Systems**

On 23<sup>rd</sup> August 2001, a project banking account was opened with the Midrand branch of First National Bank (FNB). On 11<sup>th</sup> September 2001, Mr. Mike Wood, EM&I Home Office Financial Manager, circulated a memorandum, specifying project accounting procedures. Project office and electronic equipment, furniture, vehicle and public liability insurance policies have been placed with Protax Insurance Brokers.

All financial expenditures for the Project are first approved by the Chief-of-Party. A management system, supported by a set of administrative forms, has been established and staff have been trained in the timely, accurate and full completion of all reporting. All forms are maintained in the Home Office Financial Manager's office.

All programmatic administration is also coordinated through Project forms. Each Field Officer's forms are completed either before or after the proposed linkage activity and counter-signed by

the relevant administrative officer. Any questions regarding proposed activities are raised immediately and resolved before project resources are committed. All forms are maintained in locked files kept in the Co-Deputy Chief-of-Party's (Program) office.

On 13<sup>th</sup> December 2001, Mr. Jaime Reibel, Chief-of-Party, Mr. Mike Wood, EM&I Home Office Financial Manager and Mr. Eamonn Quinn, EM&I Group Corporate Counsel, met with Mr. Karl Fickenschier, Regional Legal Adviser (RLA), and Mr. Jerry Kryschtal, Regional Contracting Officer (RCO), USAID/South Africa, to discuss the AGRILINK II Project's request for a contractual modification to insert Value-Added Tax (VAT) as a budget line item, submitted to the RCO on 16<sup>th</sup> November 2001. It was agreed that USAID/South Africa would internally determine how to proceed before responding to the request.

In addition, the meeting discussed Mr. Reibel's memorandum to the RCO of 3<sup>rd</sup> September 2001, discussing the AGRILINK II Project Linkage Catalyst (Grant) Program and requesting concurrence with EM&I's methodology. It was agreed that the AGRILINK II Project would submit another memo documenting the grant procedures established to review potential grantees, their proposals, and financial and accounting systems. It was further agreed that the project would also submit an invoice to the Controller's Office for quarterly accrued liabilities to grantees. These steps were observed during FY'02.

#### **8.4 Staff Development**

Three (3) staff training sessions were held during FY'02 (28<sup>th</sup>-29<sup>th</sup> November 2001, 19<sup>th</sup>-20<sup>th</sup> January 2002, and 9<sup>th</sup>-10<sup>th</sup> May 2002) to ensure that all staff members understood and could properly use and submit the performance and administrative reports. AGRILINK II Project staff from Head Office made repeated training visits to Provincial offices to train officers in administrative and reporting systems.

Two (2) AGRILINK II Project staff visited the U.S. in 2002 under funding from the Cochrane Fellowship from the U.S. Department of Agriculture. Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program), visited California, U.S.A. from 25<sup>th</sup> May to 10<sup>th</sup> June 2002, to view the management of vegetable farms, and meet with specialty crop brokers and traders. From 19<sup>th</sup> – 31<sup>st</sup> August 2002, Mr. Nicholas Shanga, National Financial Services Manager, visited Washington, D.C. and Texas to meet with agricultural finance institutions.

#### **8.5 USAID Notifications, Requests, Reporting, Pending Action**

##### **8.5.1 USAID Notifications**

On 4<sup>th</sup> April 2002, Mr. Jaime Reibel, Chief-of-Party, submitted five (5) signed Linkage Catalyst Agreements to the Regional Contracts Office, USAID/South Africa, and a voucher for 3<sup>rd</sup> Quarter FY'02 funding for grantees to the Controllers Office, USAID/South Africa.

On 13<sup>th</sup> May 2002, Mr. Dorvin Stockdale, Senior Agricultural Officer and AGRILINK II Project CTO, provided his concurrence with the international travel of Messrs. Reibel and Ramabulana, to Gabon during the period 15<sup>th</sup> - 22<sup>nd</sup> May 2002 to develop export agricultural markets for AGRILINK II Project clients.

On 24<sup>th</sup> June 2002, a memo providing signed grant agreements for two grantees, Siyazisiza Trust and Land O'Lakes, was sent to the Regional Contracting Officer. On 21<sup>st</sup> June 2002, an invoice for 3<sup>rd</sup> Quarter FY'02 funding for Siyazisiza Trust and Land O'Lakes, and 4<sup>th</sup> Quarter funding for all grantees, was submitted to USAID's Regional Controller.

### **8.5.2 USAID Reporting and Project Deliverables**

The First Year Annual Work Plan, FY'02, was delivered to USAID/South Africa on 15<sup>th</sup> November 2001. The Performance Management Plan (PMP) was submitted on 5<sup>th</sup> February 2002. FY'02 Quarterly Reports were submitted on 4<sup>th</sup> February 2002, 30<sup>th</sup> April 2002, and 31<sup>st</sup> July 2002. Additionally, the AGRILINK II Project submitted Monthly Fiscal Reports, Vouchers and Standard Form 1034s. These documents provided USAID/South Africa with a summary by major line item of the previous month's actual expenditures.

In addition to the project deliverables, in FY'02, fourteen (14) AGRILINK II Project Monthly Reports were produced and distributed to USAID and other stakeholders, including representatives from the National Department of Agriculture and provincial officials.

## **9.0 CONSTRAINTS/SOLUTIONS**

**Constraint #1:** A major constraint during FY'02 was staff recruitment. The identification of experienced Agribusiness Linkage Officers with the appropriate skills required in English, computer usage, and marketing was difficult. Only two (2) AGRILINK II Project Provincial Offices - Eastern Cape and Limpopo - reached their full complement of five (5) officers by 2<sup>nd</sup> Quarter, FY'02. In FY'02, two (2) Agribusiness Linkages Officers were dismissed for poor performance. In 3<sup>rd</sup> Quarter, FY'02, the KwaZulu-Natal office hired two (2) additional officers, and with one (1) secondment from KWANALU, reached six (6) staff members.

**Solution:** During FY'02, a major effort was made to recruit appropriate staff members. The AGRILINK II Project Head Office put more effort into identifying potential staff. EM&I allocated skilled Human Resource personnel to recruit and interview. Improved interviewing techniques were applied to better substantiate the marketing skills of potential Agribusiness Linkage Officers.

**Constraint #2:** During 1<sup>st</sup> Quarter, FY'02, excessive rain, snow and fires in Eastern Cape prohibited farmers from planting at the appropriate times. This substantially reduced the size and number of forward contracts for maize, beans and sorghum.

**Constraint #3:** Access to finance remains a critical constraint for potential AGRILINK II project clients. This constraint negates a generally held belief that if there is a market, a farmer will receive production finance. A number of potential historically disadvantaged AGRILINK II Project clients have bad debts that prohibit any further financial assistance and undermine bankers' confidence in their farming ability. In addition, the processing period for many financial institutions, particularly, the Land Bank, is a serious constraint for production finance. Finance can only be accessed for the following season, which requires a planning period of one year.

**Solution:** The AGRILINK II Project has investigated a model where the buyer's financial status determines whether or not a loan will be provided to the seller. Financial institutions will be approached directly to address the time constraint in order to facilitate production finance for the current cropping year.

**Constraint #4:** In the Eastern Cape, and to some extent in Northern Province and KwaZulu-Natal, the small size of the plots owned or accessed by potential clients is a constraint to increasing their commercial viability.

**Solution:** The AGRILINK II Project has begun to work more intensively with farms with irrigated plots, where a number of smaller plots can be combined into a larger, more functional area. These combined areas are also being offered as leased land to medium agribusinesses.

**Constraint #7:** Disbursements for the Linkage Catalyst Grants began in 3<sup>rd</sup> Quarter, FY'02, rather than in 1<sup>st</sup> Quarter, FY'02, as expected. This was due to the need for limited competition in the selection process, and delays in the signing of grants and requests for funding by grantees.

**Solution:** The Grants Administrator will work with the Grantees and EM&I's General Counsel to ensure that all grant agreements are amended, as appropriate, to reflect the delay in start-up. Grantees have been encouraged to accelerate disbursement as appropriate to meet FY'02 projections.

**Constraint #8:** Documentation for some business transactions, such as livestock auctions, has been difficult to obtain from buyers and sellers in certain Provinces. For some of these clients, there are concerns over confidentiality.

**Solution:** AGRILINK II Project staff put effort into developing trusting relationships with specific key agribusiness leaders in the Provinces in order to obtain general access to required information. Where appropriate, the AGRILINK II Project drafted Memoranda of Understanding with institutions to facilitate cooperation and access to data.

## 10.0 MODIFICATIONS IN THE 1<sup>st</sup> YEAR WORK PLAN

It was determined during FY'02 that a Project Advisory Board was potentially in conflict with the technical direction between the Contractor and the CTO, as the Contract states: "The Contractor shall be responsible to USAID/South Africa for all matters related to the execution of this contract. Specifically, the Contractor shall report the USAID Cognizant Technical Officer, (CTO) located with the Strategic Objective 5 Team (Increased Employment) for technical and program direction." Therefore, as a result of a discussion with the CTO, it was determined not to form an Advisory Board for the AGRILINK II Project.

## **11.0 PROJECT ACTIVITY LEVEL OF EFFORT (LOE)**

The Level of Effort toward Project activities for FY'02 can be seen in Appendix H. The majority of staff hours (51%) were spent in the programmatic areas of market identification and the establishment of business linkages (42.6%), and the facilitation of access to finance (8.4%). The second highest level of effort was spent in project administration (34.4%), with lower levels of effort devoted to staff development and training (3.8%), and performance monitoring and evaluation (4.9%). Strategies to balance efforts across programmatic areas, including HIV/AIDS Education and Awareness, Business Skills Training, and access to appropriate technology, and will be developed in 1<sup>st</sup> Quarter, FY'03.

The Major Project Activities Level of Effort Chart for 4<sup>th</sup> Quarter, FY'02, is provided in Appendix I, as the FY'02 Annual Report is submitted in lieu of the 4<sup>th</sup> Quarterly Report, FY'02.

## **12.0 FINANCE**

The Financial Report, FY'02, is found in Appendix I. Cumulative FY'02 expenditure was US \$ 2,077,625, representing 21.6% of the total approved budget for the Project. As would be expected, salaries and benefits, and other direct costs increased over the four (4) quarters of FY'02, as staffing levels increased.

## **APPENDICES**

- A. FY'02 Performance Indicators
- B. FY'02 Performance Indicators – Eastern Cape
- C. FY'02 Performance Indicators – KwaZulu-Natal
- D. FY'02 Performance Indicators – Limpopo
- E. FY'02 Agricultural Markets, by Percentage
- F. FY'02 Linkage Catalyst Grantee Status
- G. FY'02 Project Staff Organigram
- H. Major Activities – Level of Effort Chart, FY'02
- I. Project Major Activities – Level of Effort Chart, 4<sup>th</sup> Quarter, FY'02
- J. Project Financial Report, FY'02

## Appendix A: AGRILINK II Project FY'02 Annual Performance Indicators

PERFORMANCE INDICATORS	FY'02		FY'02 TARGETS
	TOTAL	% OF WOMEN INVOLVED	
SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED			
Number of Market-Driven Employment Opportunities Created	21,094		8,300
IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES			
A. Number of Business Transactions	27,218	34%	16,490
B. Value of Business Transactions	R 636,744,597	64%	R 632,200,000
IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS IDENTIFIED			
A. Number of Markets Identified	27,138	34%	15,990
B. Number of Profitable Product Lines Developed or Enhanced	363	32%	920
C. Number of Markets Established with Larger Entities	310	19%	11,900
IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS			
A. Number of Entrepreneurs Who Received Business Training	3,059	29%	7,200
B. Number of Entrepreneur Hours in Business Training	7,447	36%	57,600
C. Number of Value-Added Technology Transfers	363	32%	580
D. Number of Privatized Public Enterprises	5		3
E. Value of Privatised Public Enterprises	R 454,942		R 1,355,000
IR. 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES			
A. Number of Entities that Accessed Finance	75	92%	530
B. Value of Finance Accessed by Entities	R 33,662,375	97%	R 49,347,000
IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT			
A. Number of Business Clusters Assisted with Policy Reforms	0		0
B. Number of Policy Environment Changes	0		0
C. Matrix Score - Policy Issues Key to Employment Generation in SME Agribusiness	0		0





## Appendix B: AGRILINK II Project FY'02 Annual Performance Indicators - Eastern Cape

PERFORMANCE INDICATORS	FY'02	FY'02 TARGET
	TOTAL	
<b>SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED</b>		
Number of Market-Driven Employment Opportunities Created	9,186	2,300
<b>IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL &amp; MEDIUM AGRIBUSINESSES</b>		
A. Number of Business Transactions	19,456	4,570
B. Value of Business Transactions	R 192,438,097	R 175,600,000
<b>IR 5.2.1 MARKETS FOR SMALL &amp; MEDIUM AGRIBUSINESS IDENTIFIED</b>		
A. Number of Markets Identified	19,386	4,430
B. Number of Profitable Product Lines Developed or Enhanced	363	260
C. Number of Markets Established with Larger Entities	120	3,300
<b>IR 5.2.2 ENHANCED SMALL &amp; MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS</b>		
A. Number of Entrepreneurs Who Received Business Training	2,666	2,000
B. Number of Entrepreneur Hours in Business Training	6,068	16,000
C. Number of Value -Added Technology Transfers	363	160
D. Number of Privatized Public Enterprises	5	1
E. Value of Privatised Public Enterprises	R 454,942	R 375,000
<b>IR. 5.2.3 INCREASED SMALL &amp; MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES</b>		
A. Number of Entities that Accessed Finance	65	150
B. Value of Finance Accessed by Entities	R 30,499,550	R 14,099,000
<b>IR 5.2.4 REDUCED POLICY &amp; REGULATORY CONSTRAINTS TO SMALL &amp; MEDIUM AGRIBUSINESS DEVELOPMENT</b>		
A. Number of Business Clusters Assisted with Policy Reforms	0	0
B. Number of Policy Environment Changes	0	0
C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in SME Agribusiness	0	0



## Appendix C: AGRILINK II Project FY'02 Annual Performance Indicators – Kwa-Zulu Natal

PERFORMANCE INDICATORS	FY'02	FY'02 TARGETS
	TOTAL	
SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED		
Number of Market-Driven Employment Opportunities Created	8,168	3,000
IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES		
A. Number of Business Transactions	5,094	5,960
B. Value of Business Transactions	R 247,700,271	R 228,300,000
IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS IDENTIFIED		
A. Number of Markets Identified	5,087	5,780
B. Number of Profitable Product Lines Developed or Enhanced	0	330
C. Number of Markets Established with Larger Entities	166	4,300
IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS		
A. Number of Entrepreneurs Who Received Business Training	144	2,600
B. Number of Entrepreneur Hours in Business Training	411	20,800
C. Number of Value -Added Technology Transfers	0	210
D. Number of Privatized Public Enterprises	0	1
E. Value of Privatised Public Enterprises	R 0	R 490,000
IR. 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES		
A. Number of Entities that Accessed Finance	7	190
B. Value of Finance Accessed by Entities	R 1,469,607	R 17,624,000
IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT		
A. Number of Business Clusters Assisted with Policy Reforms	0	0
B. Number of Policy Environment Changes	0	0
C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in SME Agribusiness	0	0

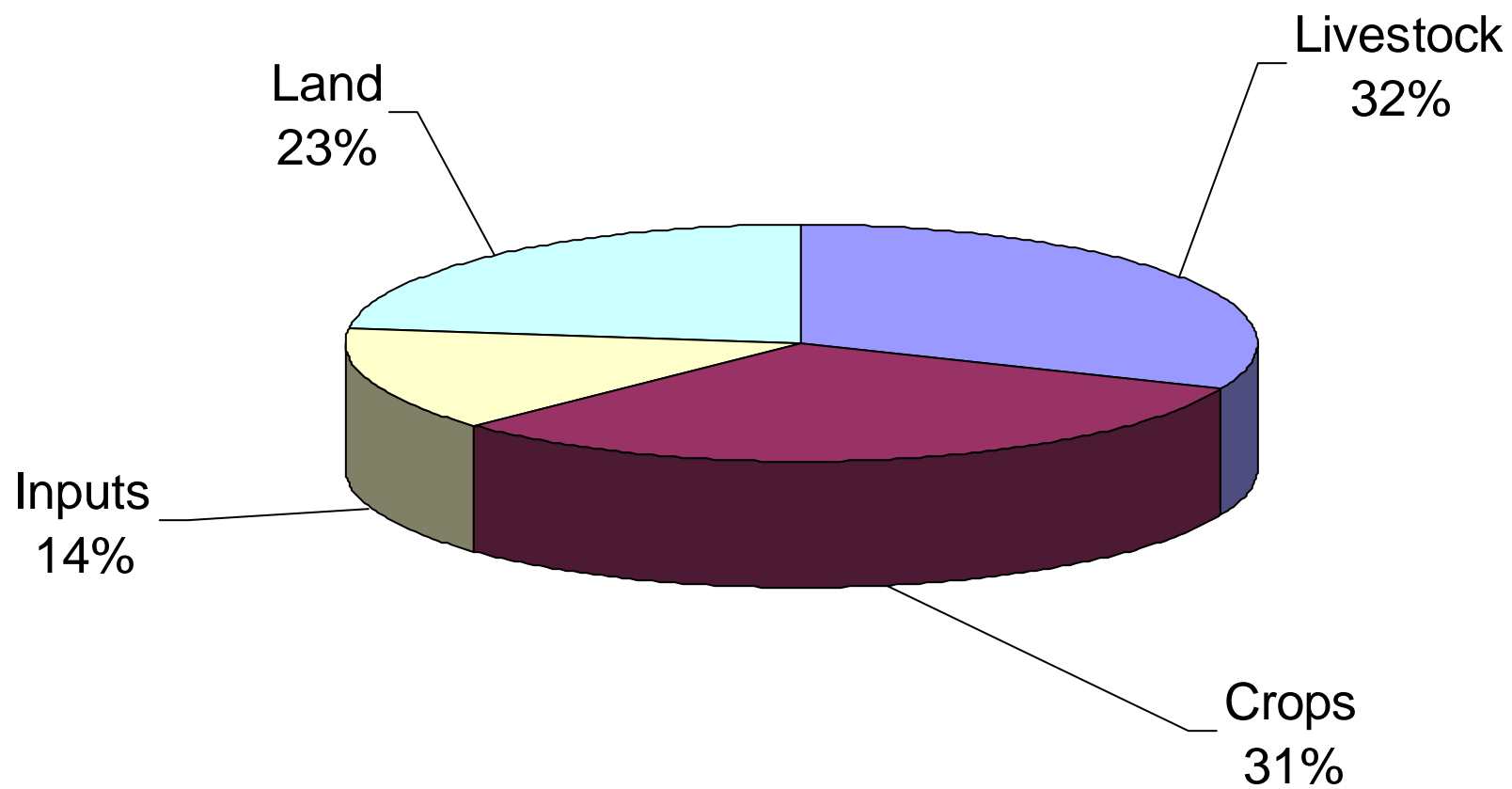


## Appendix D: AGRILINK II Project FY'02 Annual Performance Indicators - Limpopo Province

PERFORMANCE INDICATORS	FY'02	FY'02 TARGETS
	TOTAL	
SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED		
Number of Market-Driven Employment Opportunities Created	3,740	3,000
IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES		
A. Number of Business Transactions	2,628	5,960
B. Value of Business Transactions	R 162,488,912	R 228,300,000
IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS IDENTIFIED		
A. Number of Markets Identified	2,625	5,780
B. Number of Profitable Product Lines Developed or Enhanced	0	330
C. Number of Markets Established with Larger Entities	24	4,300
IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS		
A. Number of Entrepreneurs Who Received Business Training	249	2,600
B. Number of Entrepreneur Hours in Business Training	968	20,800
C. Number of Value-Added Technology Transfers	0	210
D. Number of Privatized Public Enterprises	0	1
E. Value of Privatised Public Enterprises	R 0	R 490,000
IR. 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES		
A. Number of Entities that Accessed Finance	3	190
B. Value of Finance Accessed by Entities	R 1,693,218	R 17,624,000
IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT		
A. Number of Business Clusters Assisted with Policy Reforms	0	0
B. Number of Policy Environment Changes	0	0
C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in SME Agribusiness	0	0

## **Appendix E: AGRILINK II Project FY'02 Performance Indicators**

## Agricultural Product Markets, FY'02

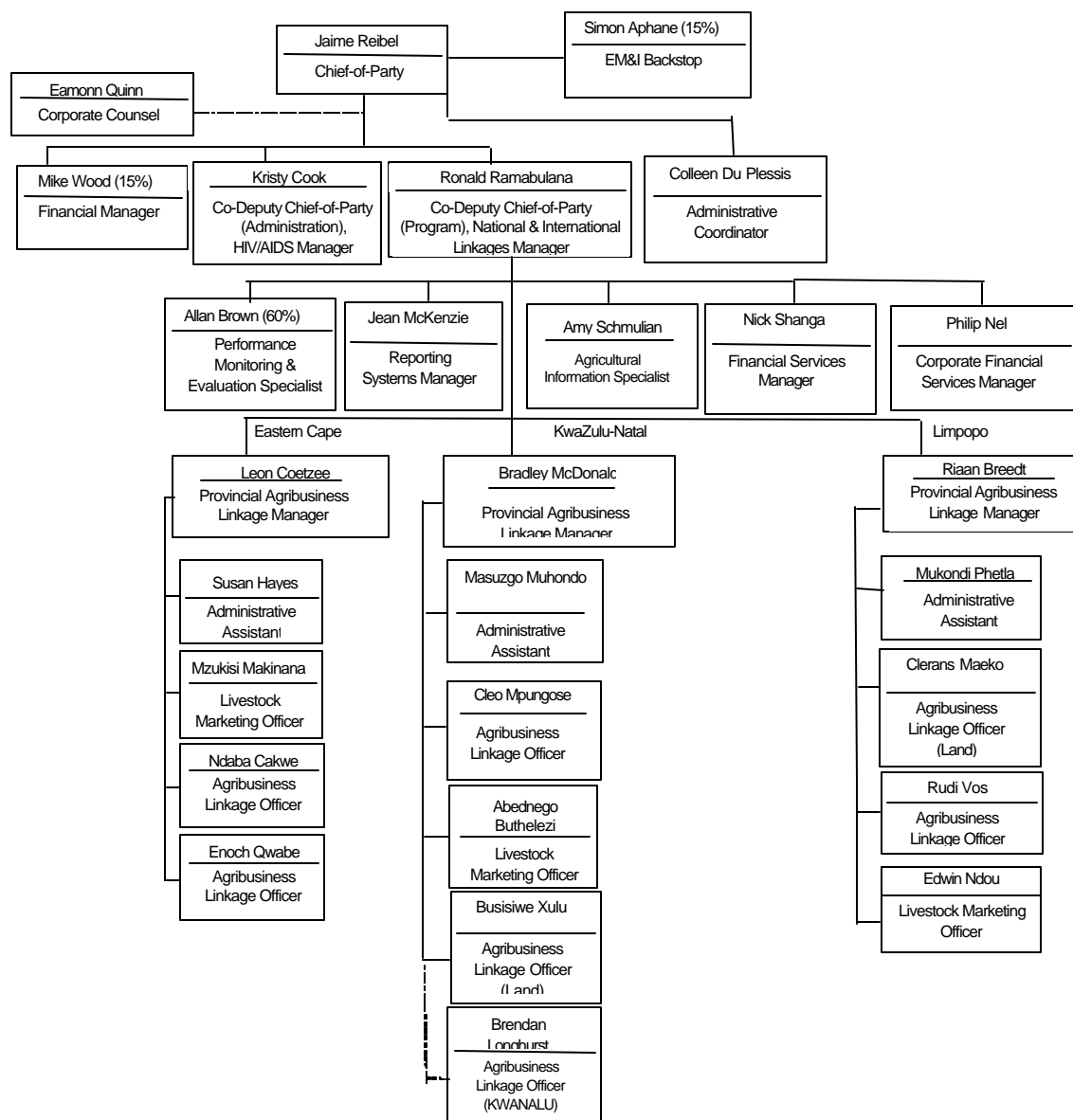




## Appendix F: AGRILINK II Project FY'02 Linkage Catalyst Grantee Status

Linkage Catalyst Grantee	Date of Signed Grant Agreement	Total Grant Value (US\$)	Reporting Indicators	Progress To Date September 2002
<b>KWANALU</b>	4 <sup>th</sup> March 2002	475,000	All indicators	IR5.2 R131,823,716 Contribution to Value of Business Transactions
<b>NERPO</b>	27 <sup>th</sup> February 2002	271,000	IR5.2.1, IR5.2.2	No Targets for FY'02
<b>ARC</b>	15 <sup>th</sup> March 2002	250,000	IR5.2.2	IR 5.2.2 A, B 299 entrepreneurs provided with business skills training, for 2,795 hours
<b>Siyazisiza Trust</b>	29 <sup>th</sup> May 2002	75,000	IR5.2.1, IR5.2.2	No Targets for FY'02
<b>Land O'Lakes</b>	28 <sup>th</sup> May 2002	250,000	IR5.2.1, 5.2.2	No Targets for FY'02
<b><u>NuFarmer &amp; African Entrepreneur</u></b>	16 <sup>th</sup> August 2002	140,000	To be determined	No Targets for FY'02
<b>Vukume Support Group</b>	3 <sup>rd</sup> June 2002	75,000	HIV/AIDS Indicators	10 home-based care visits 5 awareness presentations to 500+ individuals
<b>CHOICE</b>	28 <sup>th</sup> February 2002	165,000	HIV/AIDS Indicators	915 home-based care visits 126,238 condoms distributed 2,675 referrals to services 203 received HIV/AIDS awareness materials
<b>CRS/Sinosizo</b>	5 <sup>th</sup> March 2002	250,000	HIV/AIDS Indicators	21,936 home-based care visits 19,574 people received HIV/AIDS awareness materials 670 referrals to services
<b>Baekey International Associates</b>	Pending		IR5.2.4	No Targets for FY'02

## Appendix G: AGRILINK II Project FY'02 Staff Organigram



APPENDIX H

ENTERPRISE MANAGEMENT & INNOVATION (PTY) LTD

AGRILINK II PROJECT

CONTRACT NUMBER: 674-C-00-01-00032-01

MAJOR PROJECT ACTIVITIES

LEVEL OF EFFORT, TOTAL FOR FY '02

Component (Major Activity)	1st Qtr, FY '02		2nd Qtr, FY '02		3rd Qtr, FY '02		4th Qtr, FY '02		Total, FY '02		
	Average Personnel Salary & Benefits US\$	Person Months	Average Personnel Salary & Benefits US\$	Person Months	Average Personnel Salary & Benefits US\$	Person Months	Average Personnel Salary & Benefits US\$	Person Months	Average Personnel Salary & Benefits US\$	Person Months	Major Activity as % of Total Person Months (# of days)
<b>PROGRAM</b>											
Market Identification & Business Linkages	16,284	8.1	47,054	23.9	70,054	32.7	65,231	34.2	198,623	98.9	42.6%
Business / Entrepreneurial Skills Training	808	0.6	3,586	1.7	904	0.4	2,419	1.0	7,717	3.8	1.6%
Access to Appropriate Technology	5,025	2.4	967	0.4	1,084	0.7	655	0.3	7,731	3.8	1.6%
Privatized Public Enterprises	-	-	-	-	-	-	166	0.1	166	0.1	0.1%
Access to Finance	4,827	3.3	11,151	4.4	14,292	5.4	15,486	6.3	45,757	19.4	8.4%
Policy & Regulatory Reforms	-	-	-	-	-	-	-	-	-	-	0.0%
HIV / AIDS Education & Awareness	1,043	0.2	658	0.2	397	0.1	307	0.1	2,405	0.7	0.3%
Environmental Assessment & Training	378	0.2	37	0.0	48	0.0	439	0.3	902	0.5	0.2%
Performance Monitoring & Evaluation	23,091	3.2	5,594	1.3	26,402	1.8	18,465	5.2	73,552	11.4	4.9%
Grants Administration	5,621	0.6	5,121	0.4	6,620	0.8	2,913	0.4	20,275	2.3	1.0%
<b>ADMINISTRATION</b>											
Project Administration	86,303	12.7	82,053	23.1	68,536	21.3	74,714	22.8	311,606	79.9	34.4%
Staff Training and Development	6,575	1.9	4,256	2.2	8,152	3.1	3,061	1.5	22,044	8.8	3.8%
Project Accounting	2,015	0.6	1,395	0.4	1,467	0.4	1,508	0.4	6,385	1.9	0.8%
Co-ordination	6,116	0.7	-	-	-	-	-	-	6,116	0.7	0.3%
<b>TOTAL</b>	<b>158,084</b>	<b>34.5</b>	<b>161,873</b>	<b>58.2</b>	<b>197,957</b>	<b>66.9</b>	<b>185,363</b>	<b>72.6</b>	<b>703,277</b>	<b>232.3</b>	<b>100.0%</b>

NOTE: 1st Quarter, FY'02, includes the period 13<sup>th</sup> August 2001 to 31<sup>st</sup> December 2001.

APPENDIX I

ENTERPRISE MANAGEMENT & INNOVATION (PTY) LTD

AGRILINK II PROJECT

CONTRACT NUMBER: 674-C-00-01-00032-01

MAJOR PROJECT ACTIVITIES

LEVEL OF EFFORT 4<sup>TH</sup> QUARTER, FY '02

Component (Major Activity)	Average Personnel Salary & Benefits US\$	Person Months	Major Activity as % of Total Person Months	Chief-of-Party (# of days)	Co-Deputy Chief-of-Party (Admin) (# of days)	Co-Deputy Chief-of-Party (Program) (# of days)	National Financial Services Managers (2) (# of days)	Performance Monitoring & Evaluation Manager (# of days)	Agricultural Information Specialist & Reporting Systems Administrator (# of days)	Business Linkages Managers / Officers (13) (# of days)	Admin. Assistants (4) (# of days)	Project Backstops (10) (# of days)
<b>PROGRAM</b>												
Market Identification & Business Linkages	65,231	34.2	47.2%	3.8	-	69.0	42.5	-	-	637.6	-	0.3
Business / Entrepreneurial Skills Training	2,419	1.0	1.4%	-	-	-	6.8	-	-	15.6	-	-
Access to Appropriate Technology	655	0.3	0.4%	-	-	-	-	-	-	6.9	-	-
Privatized Public Enterprises	166	0.1	0.1%	-	-	-	-	-	-	2.4	-	-
Access to Finance	15,486	6.3	8.6%	-	-	-	55.3	-	-	80.2	-	2.5
Policy & Regulatory Reforms	-	-	0.0%	-	-	-	-	-	-	-	-	-
HIV / AIDS Education & Awareness	307	0.1	0.1%	-	0.1	-	-	-	-	2.3	-	-
Environmental Assessment & Training	439	0.3	0.4%	-	-	-	-	-	4.7	1.3	-	-
Performance Monitoring & Evaluation	18,465	5.2	7.1%	3.5	4.6	3.5	-	21.8	66.5	10.6	2.8	-
Grants Administration	2,913	0.4	0.6%	-	8.5	-	-	-	-	0.1	-	1.3
<b>ADMINISTRATION</b>												
Project Administration	74,714	22.8	31.4%	41.8	37.0	-	1.9	-	63.2	30.1	236.1	91.1
Staff Training and Development	3,061	1.5	2.0%	-	3.8	-	4.4	-	7.4	14.9	1.6	-
Project Accounting	1,508	0.4	0.6%	-	-	-	-	-	-	-	-	9.4
Co-ordination	-	-	0.0%	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>185,363</b>	<b>72.6</b>	<b>100%</b>	<b>49.0</b>	<b>54.0</b>	<b>72.5</b>	<b>110.8</b>	<b>21.8</b>	<b>141.8</b>	<b>801.9</b>	<b>240.5</b>	<b>104.5</b>